商道融绿 SynTao Green Finance

兴全基金 AEGON-INDUSTRIAL FUND

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DECENNIAL REPORT ON THE RESPONSIBLE INVESTMENT IN CHINA

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On the Cusp of a Responsible Investment Boom —— Foreword to the Decennial Report on Responsible Investment in China

Guo Peiyuan / Chairman, SynTao Green Finance; Chairman, China Social Investment Forum

I started researching responsible investment around 2003, at a time when the notion of corporate social responsibility was still alien to most, much less socially responsible investing. But I was convinced, by the progress of responsible investment in Europe and the United States, that the rise of a similar movement in China was only a matter of time. Based on this belief, I started SynTao in 2005 with Wayne Silby, founder of the Calvert Funds, and later SynTao Green Finance and China Social Investment Forum (China SIF), thus helping jumpstart China's foray into responsible investment.

We made much progress in the decade that followed, including ESG[2] Referring to Environmental, Social and Governance.] rating of listed companies, environmental risk training for commercial banks, green bonds certification, organization of the China SIF annual conference, and creation of the China ESG Development Index (ESGDI). We believed responsible investment was the future, and we were preparing for its eventual arrival.

And arrive it did. In 2015, the China Society for Finance and Banking established the Green Finance Committee to promote policy research. In 2016, seven government agencies including the People's Bank of China jointly released the Guidance on Building the Green Finance System. In 2017, the State Council approved the creation of green finance pilot zones in five provinces. And just recently, the Shanghai Stock Exchange announced that it had become the first domestic exchange to join the UN Sustainable Stock Exchange Initiative.

As the movement picked up momentum, the market responded. There was an influx of fund and index products based on the theme of responsible investment; China became the largest green bond market in terms of issue volume; and the outstanding balance of green loans from commercial banks grew steadily.

With this change come many opportunities and even more things to be done. Fund companies and index companies will develop additional responsible investment products, which will highlight the need for more ESG ratings and other relevant data. These data will mainly come from the ESG information released by listed companies, the quality of which hinges to a large extent on the rigorousness of regulators' policies. The long and short of this is that responsible investment is an ecosystem; and its success depends on the joint efforts of everyone involved, that includes regulators, listed companies, institutional and individual investors, market intermediaries, and data providers.

We and Aegon-Industrial Fund are co-publishing this Decennial Report with the hope of presenting a panoramic view of the development of responsible investment in China over the past decade. At the same time, standing on the cusp of this transformative period, we seek to reflect on, foresee, and illustrate the future of responsible investment in China, including that of the responsible investors. We hope all market players will draw something useful out of this report, and thrive as responsible investment takes off in China.

[1] Referring to Environmental, Social and Governance.

Socially responsible investing, or responsible investment, takes environmental, social, and other factors into account in a variety of ways during investment evaluation and decision-making, in addition to mere financial returns. In its narrow sense, responsible investment is focused on the capital markets, referring especially to fund companies' selection of securities based on the environmental and social performance of listed companies. In its broad sense, responsible investment covers a much wider scope, such as venture capital that seeks positive social impacts, environmental risk management in banks, carbon market and carbon trading, and inclusive finance which supports small and micro businesses and low-income groups. A more recent example – as well as a highly active area of policy development – is green finance, which encompasses economic activities that support environmental improvement, climate change adaptations, and resource conservation and efficiency, and provides the financial tools and policies for greening the Chinese economy.

Responsible investment not only supplies the means for creating environmental and social values, but also runs on a well-developed market logic. From the creation of the world's first responsible investment stock index in the 1990s, to the launch of China's first responsible investment fund about ten years ago, responsible investment has gradually become a mainstream investment strategy due to its ability to reduce investment risks and generate respectable returns in the long run. According to the Global Sustainable Investment Alliance (GSIA), $22.89 trillion of assets were being professionally managed under environmental, social and governance (ESG) considerations as of the start of 2016, accounting for 26% of all professionally managed assets worldwide and representing an increase of 68.3% from 2012.

Each of the three domains of ESG is associated with many detailed indicator systems, which are used by businesses to regulate and monitor their actions and by responsible investors to assess target companies and assets. For example, environmental indicators cover a business' environmental management mechanisms, consumption and pollution levels, and recycling. Social indicators measure how well a business protects the rights and interests of employees, manages its supply chain, and handles its relations with various communities and stakeholders. Governance indicators focus on the constitution of board of directors, internal control, and auditor independence.

[1]GSIA: Global Sustainable Investment Review 2016.
Accessed through http://www.gsi-alliance.org/members-resources/trends-report-2016/

While responsible investment in China is still in its formative years, the country's ever pressing environmental and social issues as well as the vigorous governmental support for green finance have made ESG and other non-financial factors increasingly relevant to discussions on investment risks and financial returns. Geographically, the most active regions of responsible investment are Europe, the United States, and Canada, as they collectively account for 95.5% of the ESG assets globally. In absolute terms, the three regions account for $12.04 trillion, $8.72 trillion, and $1.09 trillion of ESG assets, which represent 53%, 22%, and 38% of the professionally managed assets in these three regions, respectively.[1] Given these numbers, it's reasonable to expect responsible investment to have a similarly bright outlook in China.

This report, seeking to retrace the progress of responsible investment in China in the past decade and to provide valuable lessons for developed countries, will first review the market landscape for the development of responsible investment, and then analyze the strategies for creating public responsible investment funds and sustainability indices and their performances, and finally provide a forecast on China's growing responsible investment market.

The project group for this report conducted a survey to better understand the public's attitudes toward responsible investment. Between June and July 2017, an electronic survey comprising 16 questions was published on the platforms of Caixin Media, AEGON-Industrial Fund, and SynTao Green Finance, and has garnered 1,136 valid responses from Mainland China, Hong Kong, Macao, Taiwan, and overseas Chinese. This was the first survey of its kind in China.[2]

[2] Of the 1,136 people who responded to the survey, males slightly outnumbered females; most were between the age of 22 and 40 and held bachelor or master's degrees or above. Most respondents lived in Beijing, Shanghai, or Guangdong; overseas Chinese accounted for 1.0% of the responses. Most respondents were investing RMB 100,000-1,000,000 or RMB 10,000-100,000 in stocks, banks' wealth management products, public funds, bonds, and real estate, and evaluated investment returns on 1- to 5-year terms.


10

DEVELOPMENT OVERVIEW

2.1 The Rise of Responsible Investment

Responsible investment, as the embodiment of the social value of business and finance, has a long-running history among world cultures and religions. Book IV of the Analects of Confucius, for example, quotes Confucius as saying: “Wealth and prestige are what everyone desires, but they cannot be held onto if not obtained in their proper way,” which shows the higher value the Confucianism attached to morality and justice than to wealth.

Responsible investment in its modern form started in Europe and the United States; its roots can be traced back to the influence exerted by religious ethics and cultural traditions on investment activities. Next came the civil rights movement in the 1960s, which prompted investors to think about – and account for – the environmental and social impacts of their investments, fueling product and market development. More recently, with the rising interest from institutional investors, and from pension funds and insurance capital especially, responsible investment has gradually become a mainstream analysis approach and investment strategy.

18th Century	Quakers in North America announced to not seek profit from weapon and slave trades
1960s	In the U.S., investment was used to protect the environment, protest against the Vietnam War and South Africa's Apartheid regime, and safeguard vulnerable groups like African Americans and Native Americans
1971	The Episcopal Church in the U.S., as a shareholder of the General Motors, demanded the company to cease all businesses in South Africa until the end of the Apartheid. This decision was echoed by other religious organizations, who together formed the Interfaith Center on Corporate Responsibility (ICCC)
1986	Due to public pressure, GM announced that it would sell all assets in South Africa. About another 50 U.S. companies followed suit and exited the South African market
1990	When working as a stock broker, Amy Domini found that some clients did not want to invest in the arms and tobacco industries. To provide clients with the investment standard and products they needed, Domini created a new investment area – responsible investment – and launched the Domini 400 Social Index, the world's first responsible investment index
2006	Goldman Sachs, in its investment analysis, often combined corporate governance considerations with responsible investment (i.e., environmental and social) factors, thereby creating the notion of ESG, based on which the company introduced the GS sustainable stock portfolios
2010s	Rising interest from institutional investors, and from pension funds and insurance capital especially, has made responsible investment a new favorite investment strategy

• Overseas Development: PRI Over the Past Decade

The United Nations-supported Principles for Responsible Investment, or PRI, is an important international organization for responsible investment. In 2005, the then UN Secretary-General, Kofi Annan, invited leaders from major institutional investors around the world to help develop the principles for responsible investment, culminating in the launch of PRI in April 2006 at the New York Stock Exchange. Among the signatories of PRI are asset owners, asset managers, and service providers, who agree that they have a duty to seek long-term interest for investors, and believe that ESG issues can affect the performance of investment portfolios. Accordingly, to fulfill their fiduciary duty, the signatories pledge to incorporate ESG issues into investment analysis and decision-making processes; become active owners and incorporate ESG issues into their ownership policies and practices; seek appropriate disclosure on ESG issues by investees; promote acceptance and implementation of the Principles within the investment industry; work together to enhance their effectiveness in implementing the Principles; and each report on their activities and progress toward implementing the Principles.

Fig. 1: Development of UN PRI Since Establishment

• Overseas Development: ESG-Related Legislative Efforts in Europe

There is international precedence for legally incorporating ESG issues into the ambit of financial regulation. For instance, in 2014 the European Union passed an EU Directive on disclosure of non-financial information, requiring mandatory, periodic disclosure on environmental and social matters by public-interest entities with more than 500 employees. For many European countries, public-interest entities include credit companies and insurance companies, which means that many banks, insurers, and their asset management subsidiaries will be required to disclose ESG information.[3] Similarly, in 2016 France passed the Energy Transition for Green Growth Act, requiring (i) listed companies to disclose in annual reports their financial risks from climate change and the measures they've adopted to reduce such risks, as well as the impacts of climate change on business operations, products, and services (The Grenelle II Act of 2012 already required listed companies to publish the social and environmental consequences of their activities); (ii) banks and credit companies to disclose in annual reports their risk of overleverage and the risks exposed by regular stress tests; (iii) institutional investors to disclose in annual reports how they account for ESG factors in their investment decision-making process and how they align internal policies with national energy and ecological transition strategies.[4]

[3] Directive 2014/95/EU of the European Parliament and of the Council. Accessed through http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095

[4] IEA: Energy Policies of IEA Countries - France 2016 Review. Accessed through https://www.iea.org/publications/freepublications/publication/Energy_Policies_of_IEA_Countries_France_2016_Review.pdf

2.2 Responsible Investment Taking Off in China

In China, public responsible investment funds have grown from mere concept to one of the main classes of responsible-investment products in the market in just ten years. The clearest call for responsible investment first came from Aegon-Industrial Fund, who launched the AIFMC Social Responsibility Hybrid Securities Investment Fund (fund code: 340007) in 2008. As of August 31, 2017, there were 62 responsible investment funds and green industry-oriented investment funds operating in China, boasting RMB 50.02 billion in aggregate net asset value from their latest issues.[5]

[5] As of the date of this report, the newly launched E Fund Environmental Theme Hybrid Fund, ChinaAMC Energy Conservation and Environmental Protection Equity Fund, and ChinaAMC Energy Innovation Equity Fund have yet to report their net asset values of the latest issue, and are therefore not included in this figure.

Fig. 2: Development of Responsible-Investment Funds in China

In contrast to Western countries where responsible investment was driven by the demands of investors, in China, development of responsible investment and of green finance especially has been spurred by a cascade of policies in recent years, which has put responsible investment on the fast track of development. In 2016, issuance of green bonds skyrocketed from almost zero to RMB 200.0 billion, accounting for 39% of the global total and making China the world's largest green bond market for that year. Governments at the provincial-, municipal- and prefecture-level have set up more than 20 regional green industry funds.[6] And a wide variety of green finance products, including green asset-backed securities, green public-private partnership (PPP) projects, carbon finance, and green insurance, have also rapidly emerged.

[6]Ma Jun: The Local Green Finance Movement: A Bright Future Ahead. Accessed through http://greenfinance.xinhua08.com/a/20170704/1713890.shtml

Green Credit

In February 2012, the China Banking Regulatory Commission published the Green Credit Guidelines, setting out explicit requirements on banking financial institutions in regard to promoting green finance, energy conservation, and environment protection.

Green Finance

In August 2016, seven Chinese ministries and commissions including the People's Bank of China released the Guidance on Building the Green Finance System, which was the first guidance document released by a national government for the top-level planning and promotion of green finance.

G20 Advocacy

In September 2016, green finance was written into the G20 communique for the first time at the proposal and endorsement of the Chinese government. The People's Bank of China and the Bank of England are serving as co-chairs of the G20 Green Finance Study Group.

Fund Industry Assoc

The Asset Management Association of China has been actively promoting responsible investment among public funds. In March 2017, AMAC and PRI co-hosted a seminar titled Principles of Responsible Investment. In June 2017, AMAC, China Association for Public Companies, and Asian Corporate Governance Association co-hosted the 2017 China Responsible Investment Conference.

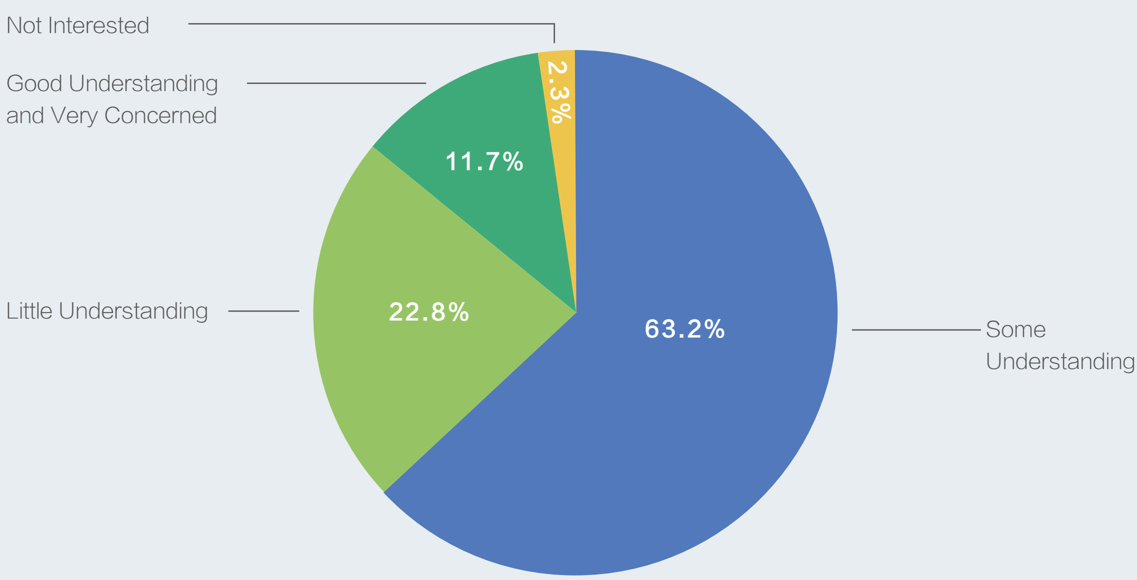
Green Finance Pilot Zones

In June 2017, the State Council approved the proposal to create green finance reform and innovation pilot zones in Zhejiang, Jiangxi, Guangdong, Guizhou, and Xinjiang. Seven ministries and commissions including the People's Bank of China then officially issued the overall plan for these pilot zones.

• Survey Observations: 63.2% of Respondents Have Some Understanding of Responsible Investment Policies

Responding to the survey question "Are you aware of Chinese government's advocacy for responsible investment and corporate social responsibility (including green finance) in recent years," 63.2% of respondents said they had some form of understanding; 11.7% said they had very good understanding and were very concerned about the subject; 22.8% said they had little understanding. Only 2.3% responded that they had no interest in the subject.

Fig. 3: Survey Respondent's Level of Understanding of Responsible Investment Policies



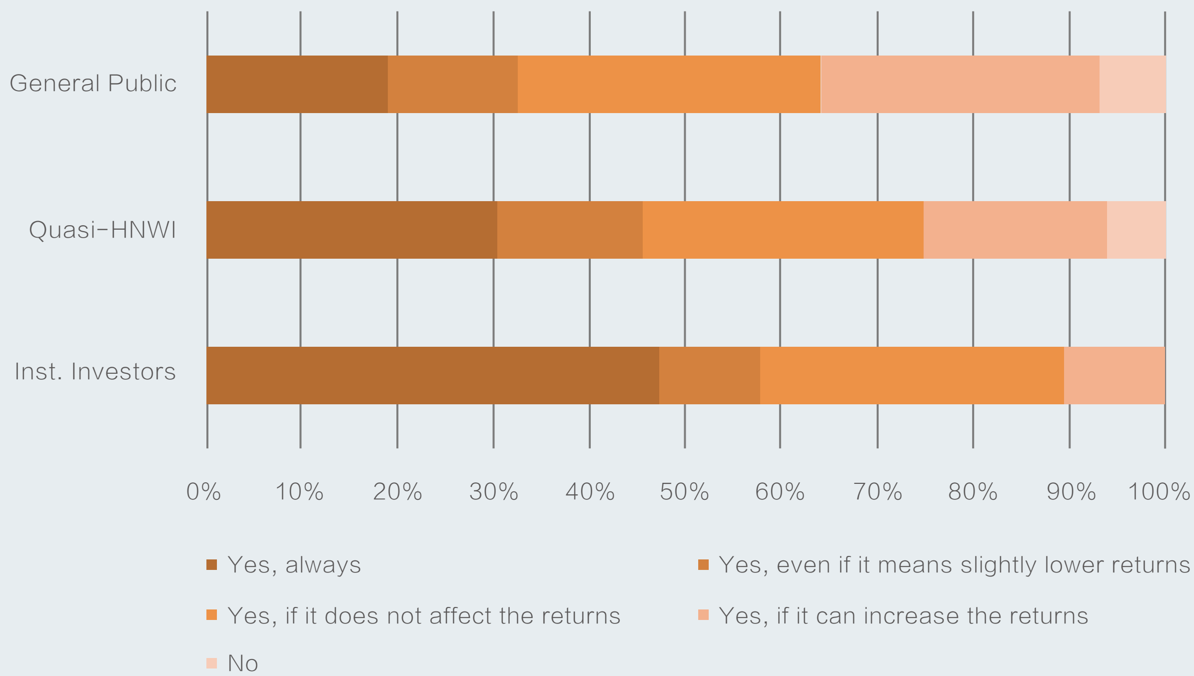
2.3 Investors' Concerns

Investment capital comes from either institutions or individuals. While institutions still account for much of the capital in the responsible investment market, individuals are rapidly closing the gap. For example, at the end of 2016, 74.3% of the professionally managed responsible investment in Europe, the United States, and Canada came from institutions; individuals accounted for the remaining 25.7%, climbing from 13.1% as of the end of 2014.[7]

• Survey Observations: General Public, Quasi-High Net Worth Individuals, and Institutional Investors' Attitude toward Responsible Investment

To supplement the public survey, we sent out questionnaires to 19 banks, insurance companies and other financial institutions in China. Clear patterns emerged when we compared the general public (investment portfolio of RMB 1 million or less) and quasi-high net worth individuals (investment portfolio of more than RMB 1 million) with institutional investors. Specifically, the three groups showed progressively higher interest in a company or asset's social responsibility performance, as measured by the aggregate percentage of respondents who indicated that they would consider SRP "always," "even if it means slightly lower returns," or "if it does not affect the returns," i.e., answers that show willingness to incorporate social responsibility considerations into investment decision-making without the incentive of increased returns. Moreover, not one institutional investor chose "do not consider SRP," indicating all institutional investors who participated in the survey have incorporated social responsibility considerations into their investment processes.

Fig. 4: Attitude toward Responsible Investment by Investment Amount



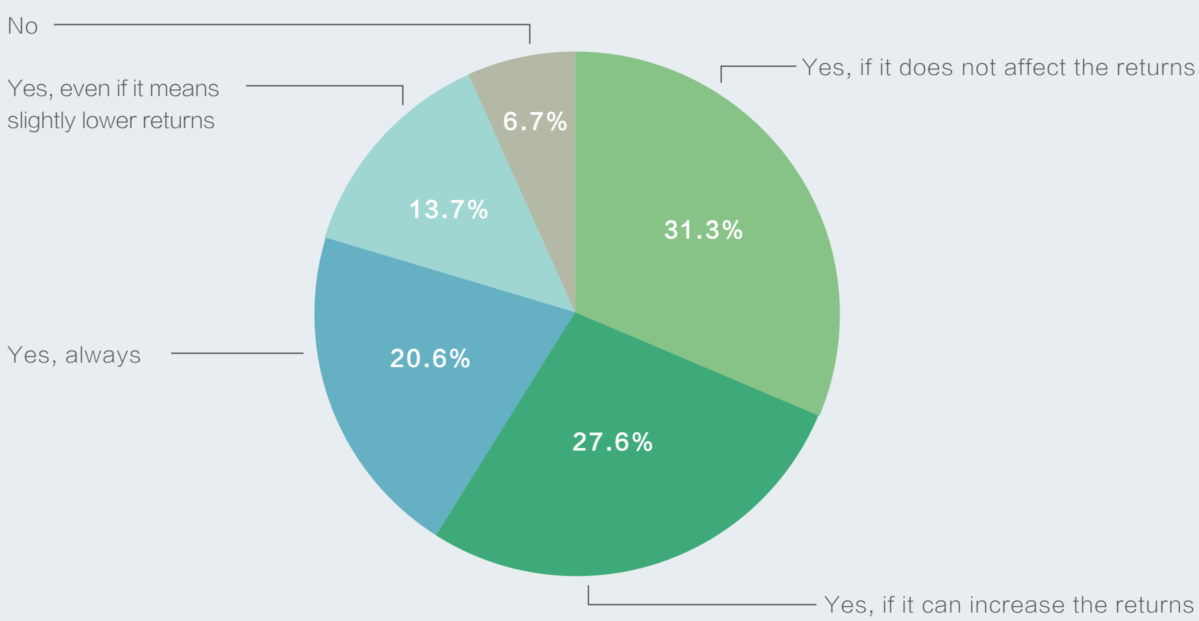
[7]GSIA: Global Sustainable Investment Review 2016. Accessed through http://www.gsi-alliance.org/members-resources/trends-report-2016/

2.3.1 Individual Investors

• Survey Observations: Individual Investors: No Sacrifice of Financial Returns is a Major Precondition for Social Responsibility Considerations

When asked "Do you consider a target company or asset's environmental, social and governance performance before investing," 31.3% of the respondents signaled a neutral stance, i.e., they would consider ESG performance if it did not affect the returns on investment; 27.6%, 20.6%, and 13.7% said they would consider ESG performance "if it could increase the returns," "always," or "even if it meant slightly lower returns," respectively. The remaining 6.7% indicated that they would not consider ESG performance under any circumstances.

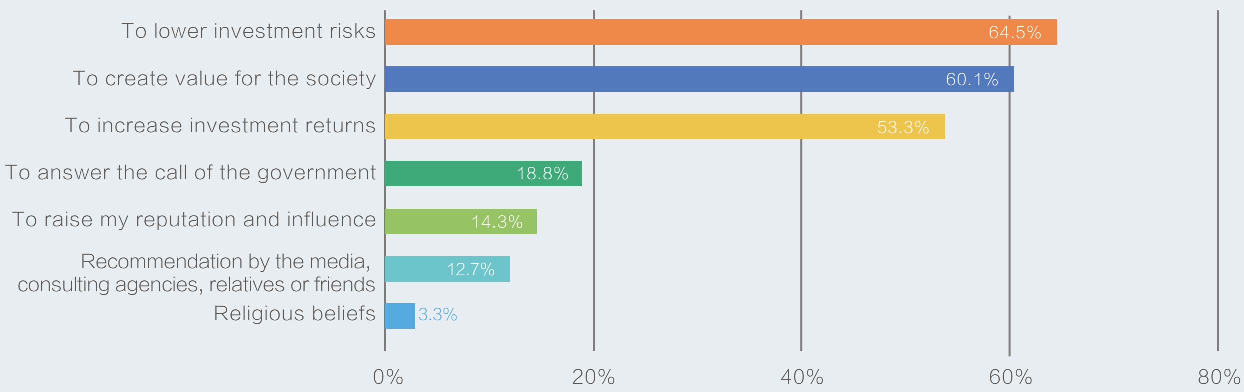
Fig. 5: Attitude toward Responsible Investment (Individual Investors)



• Survey Observations: Lowering Investment Risk is the Primary Motivation for Individual Investors to Consider Social Responsibility Factors

The 93.3% of the respondents who acknowledged making social responsibility considerations was then given the following multiple-choice question (multiple selections permitted): “What is your reason for considering a business’ social responsibility performance.” The responses, in descending frequency of selection, were “to lower investment risks” (64.5%), “to create value for the society” (60.1%), “to increase investment returns” (53.3%), “to answer the call of the government” (18.8%), “to raise my reputation and influence” (14.3%), “recommendation by the media, consulting agencies, relatives or friends” (12.7%), and “religious beliefs” (3.3%).

Fig. 6: Reasons for Considering Social Responsibility Factors (Individual Investors)



• Survey Observations: Positive Correlation Between Investment Amount, Long-Term Thinking, and Interest toward Responsible Investment

If respondents were broken down into groups by portfolio size and expected time to receive investment returns, it would clearly show that people with larger and longer-term investments were more likely to consider social responsibility factors, evidenced by the higher aggregate percentage of “yes, always,” “yes, even if it means slightly lower returns,” and “yes, if it does not affect the returns,” i.e., affirmative responses that are not contingent on increased returns.

Fig. 7: Attitude toward Responsible Investment by Portfolio Size (Individual Investors)

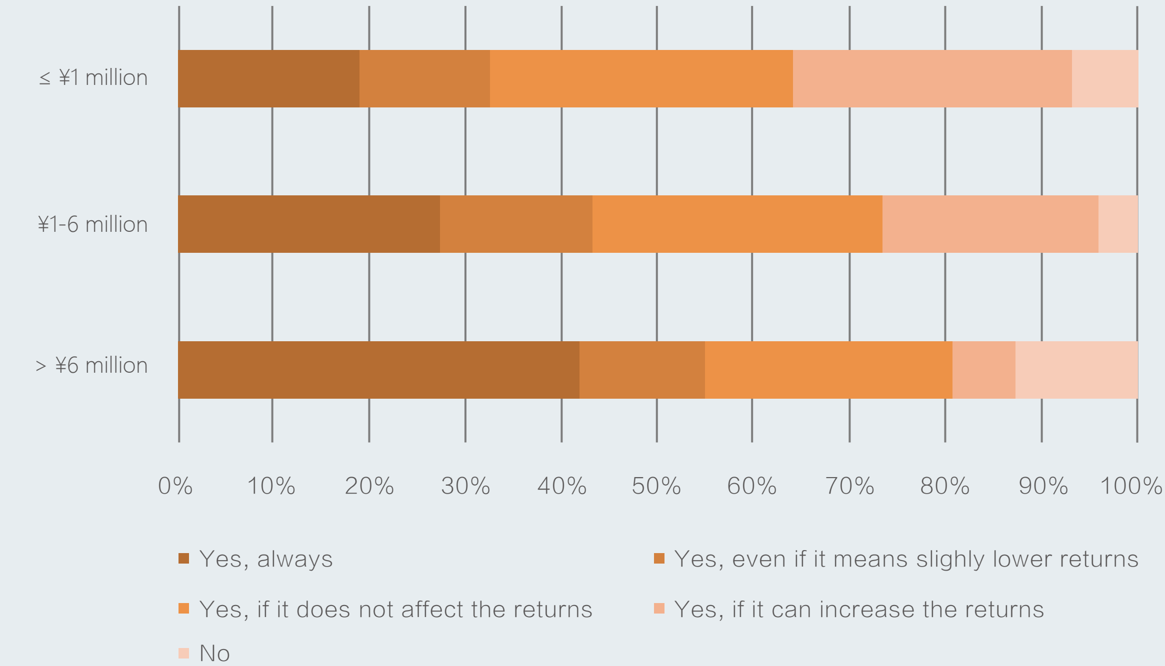
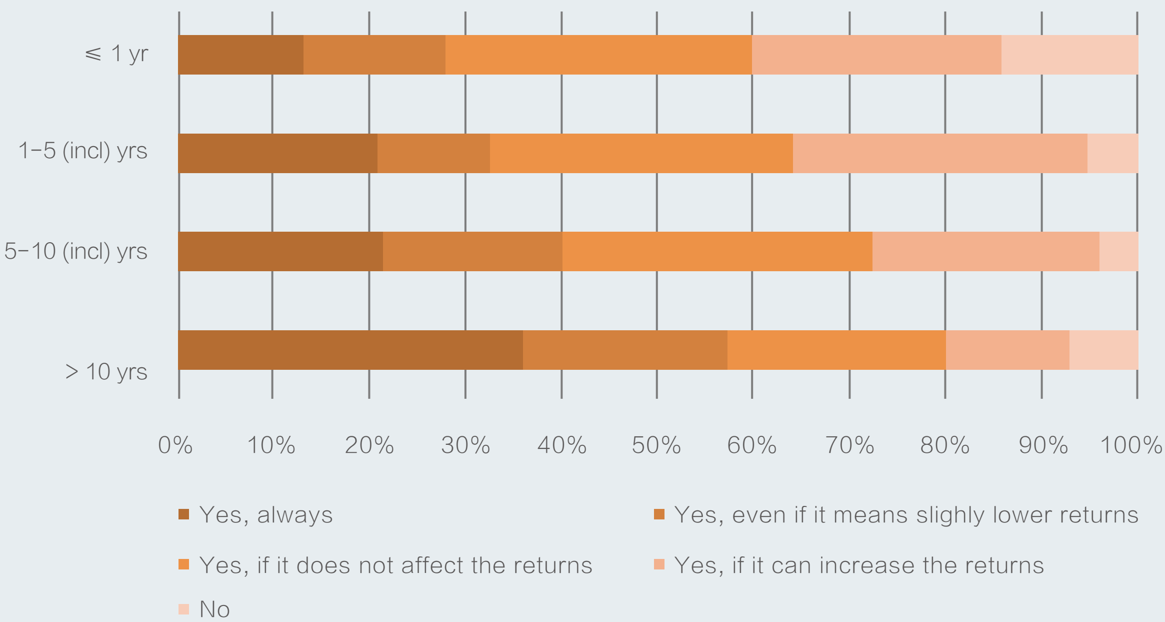


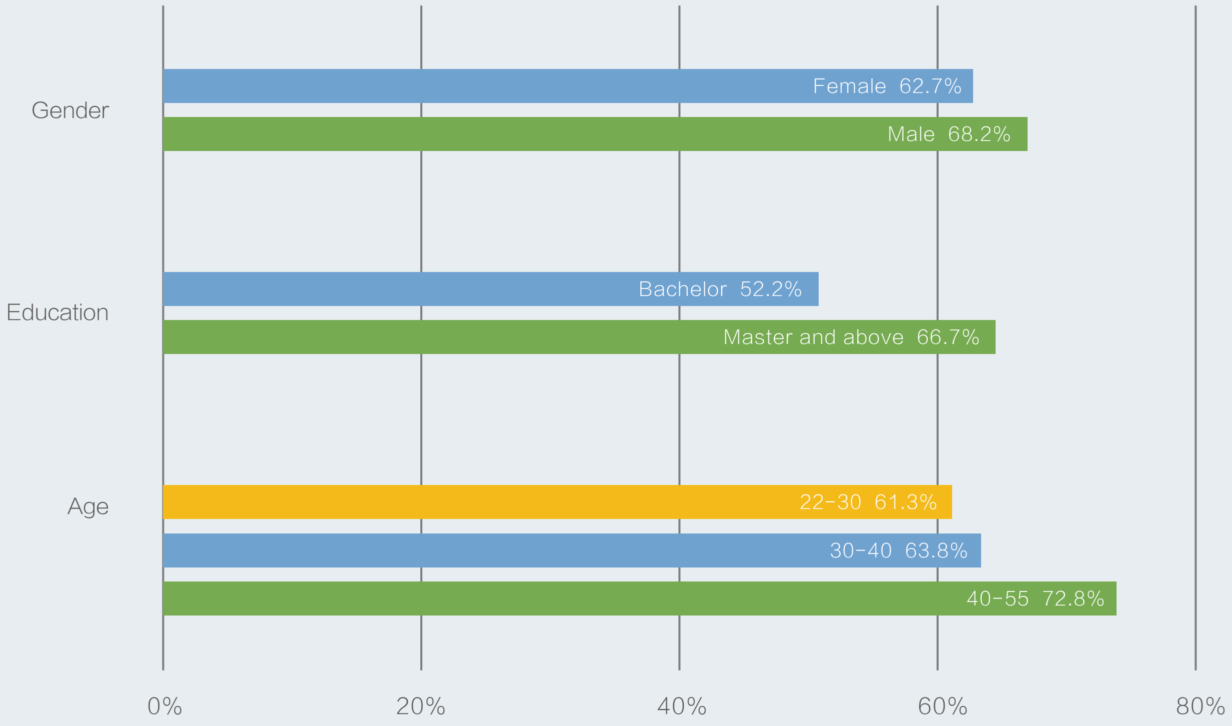
Fig. 8: Attitude toward Responsible Investment by Investment Term (Individual Investors)



• Survey Observations: Older, Well-Educated Men Are Most Likely to Think Social Responsibility

Which demographic groups among the survey participants are most likely to consider social responsibility factors when investing? If we take the aggregate percentage of the three affirmative answers that do not hinge on expectation of increased returns – namely "yes, always," "yes, even if it means slightly lower returns," and "yes, if it does not affect the returns" – as our metric for this question, then males (68.2% vs 62.7% for females) holding master's degree or above (66.7% vs 52.2% for those with a bachelor's degree)[8] and aged 40 to 55 (72.8%) is the answer[9].

Fig. 9: Likelihood of Considering Social Responsibility Factors during Investment by Gender, Education, and Age



In sum, the survey shows that 40-to-55 years old men with master's degree or above are most likely to consider ESG issues when investing; this opposes the general expectation that younger people and women would be keener to make responsible investment.

[8]Only these two options are compared because all respondents had a bachelor's degree or above

[9]The "22 and under" and "55 and above" age groups are omitted here due to their much smaller relative sizes

2.3.2 Institutional Investors and Asset Management Agencies

The United Nations Environment Programme Finance Initiative (UNEP FI) and PRI have proposed the concept of "universal owners," which refer to large institutional investors who often have highly diversified, long-term portfolios that span across global capital markets.[10] These portfolios, which often cover different industries, regions, and asset classes at once, have strongly tied the financial returns of such institutional investors to the overall market performance. This means that these large investors are simultaneously generating stable returns from sustainable market growth and highly susceptible to systemic risks, including losses from ESG issues such as pollution and financial fraud. Being connected to an extensive web of stakeholders, institutional investors are also involved in a wide range of CSR matters and, therefore, influenced by the overall social and environmental performance of the market. Accordingly, the needs of institutional investors are aligned with the objectives of responsible investment. In terms of size of investment, institutional investors are a key participant of responsible investment worldwide, and their support has a significant impact on the development of this market.

• Survey Observations: Financial Institutions Seek to Create Value for the Society through Responsible Investment, and Are the Most Concerned about Corporate Governance Topics.

When asked "what is your organization's reason for considering a business' social responsibility performance," institutional investors said that they did so to "create value for the society" (84.2%) and to "answer the call of the government" (57.9%), which is different from the most common concerns of the general public ("to lower investment risks" and "to create value for the society"). This underscores the importance of policy guidance during the formative years of the responsible investment market. Institutional investors and the general public also diverge on the question "Which aspects of a listed company's performance does your organization evaluate when making investment decisions?" While the latter is primarily focused on environmental and social topics, institutional investors are most concerned about corporate governance issues, particularly financial fraud (94.7%, top concern) and internal governance (73.68%, third highest concern).

• Overseas Development: Recent Development of Large Pension Funds in Responsible Investment

AP7, Sweden's largest national pension fund, announced in June 2017 that it had sold its shares in six companies that had violated the Paris Agreement, and that it would no longer invest in any such companies in the future. AP7, which serves some 3.5 million retirees, has incorporated the Paris Agreement in its investment analysis since the end of last year.[11]

In Asia, the Government Pension Investment Fund of Japan (GPIF) announced in July 2017 that it would start tracking three indices that cover each aspect of ESG – the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the MSCI Japan Empowering Women Index (which focuses on gender diversity) – for its passive investing programs. Following this selection, GPIF will allocate 3% of its domestic equity investments, or about JPY 1 trillion (0.7% of its entire portfolio), to track these indices.[12] As of the end of fiscal year 2016, GPIF had total assets of JPY 144.9 trillion[13], making it the largest pension fund in the world.

In August 2017, the New Zealand Superannuation Fund announced that the fund's NZ$14 billion (RMB 68.0 billion) global passive equity portfolio, accounting for 40% of the fund, had been re-built as a low-carbon portfolio, and that the fund is moving toward its low carbon targets for 2020.[14]

Pension funds are in fact some of the earliest responsible investors. For instance, the first responsible investment fund established by the United Kingdom, in 1984, was the Friends Provident Stewardship Fund[15]. At present, pension funds, comprising national pension funds, sector pension funds (such as CalPERS, the California Public Employees' Retirement System), and occupational pension funds, are one of the most important institutional investors in the responsible investment market. Pension funds seek to generate stable and sustainable returns from their investments, which sustainable environmental and social development can provide.

2.4 Improving Information Infrastructures

A sound, trusted, and timely information system is a critical infrastructure for the responsible investment market. Information comes from two sources: voluntary disclosure by businesses, under the supervision of government agencies, and data service and exchange platforms run by third-party agencies. All stakeholders in responsible investment require information, without which no market mechanisms can coalesce and operate.

2.4.1 Disclosure of Corporate Social Responsibility (CSR) Information

Information disclosure system allows securities issuers to pass information about their businesses onto the market, helping the latter to rationally evaluate the merit of investing in the securities and to protect the legitimate rights and interests of shareholders, creditors, and other stakeholders. Such information includes both financial and non-financial information, the latter of which is critically conveyed through the CSR report. Data from the Material and Quantitative Indicators (MQI) Database show a steadily increasing number of Chinese companies are releasing CSR reports. At the time of writing, companies listed on Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) have released more than 5,300 CSR reports; and another 5,600 have been released by non-listed companies. In 2016, 763 A-share listed companies issued a CSR report[16], of which 54.1% were non-central state-owned enterprises (SOEs), 33.6% were private businesses, 8.0% were listed companies controlled by central SOEs, and 4.1% were joint ventures. [17]Given that there are more than 3,300 A-share listed companies in China, those that issue CSR reports are still in the minority.[18]

[10]UNEP FI and PRI (2011): Universal Ownership: Why Environmental Externalities Matter to Institutional Investors. Accessed through http://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf. Chinese language version is available at https://www.yumpu.com/xx/document/view/47763543/-principles-for-responsible-investment/3

[11]http://www.reuters.com/article/us-climatechange-investment-sweden-idUSKBN1962CC

[12]Selection of ESG indices by GPIF: http://www.gpif.go.jp/en/topics/pdf/20170703_esg_selection_en.pdf

[13]GPIF Annual Report for FY2016. Accessed through http://www.gpif.go.jp/en/fund/pdf/2016_q4.pdf

[14]https://www.nzsuperfund.co.nz/news-media/nz-super-fund-shifts-passive-equities-low-carbon

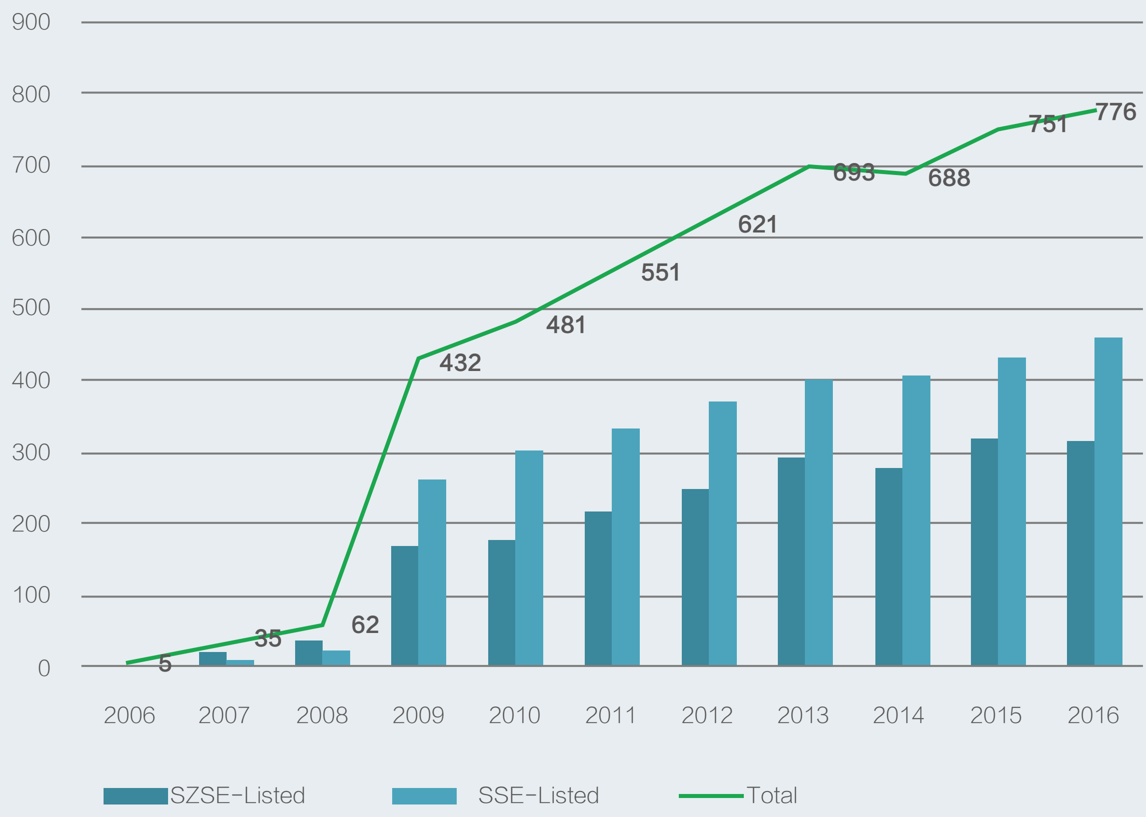
[15]Later renamed to Friends Life Stewardship

[16]Variously named as social responsibility report, sustainability report, and environmental information disclosure report, etc.

[17]SynTao MQI Database

[18]CSR report statistics from SynTao MQI. Accessed through http://mqi.org.cn/CSRReport_Stats.asp

Fig. 10: CSR Reporting by SSE and SZSE-Listed Companies
(A-Shares and B-Shares) in 2006-2016



China has introduced a series of policies aimed at boosting the disclosure of CSR information. At a special meeting for CSR issues in 2015, the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) stressed that businesses' fulfillment of social responsibilities was not only urgently needed for the economic and social development of China, but also crucial for making the businesses themselves more competitive. Three national standards were soon introduced, namely the Guidance on Social Responsibility (GB/T 36000-2015), Guidance on Social Responsibility Reporting (GB/T 36001-2015), and Guidance on Classifying Social Responsibility Performance (GB/T 36002-2015). In 2016, the China Securities Regulatory Commission released the 2016 revised edition of three information disclosure standards[19], which regulate the content and format of the annual, semi-annual, and quarterly reports of companies that publicly issue securities, and require certain key polluting entities to disclose pollution and emission figures starting from 2017.

The Hong Kong Stock Exchange released the updated Environmental, Social and Governance Reporting Guide in December 2015, re-arranging the Guide into two subject areas: environmental and social, with corporate governance covered in the separate Corporate Governance Code. There are 11 "aspects" under "environmental" and "social;" each aspect sets out "general disclosures" and "key performance indicators (KPIs)." In the updated Guide, requirements for "general disclosures" have been raised from voluntary disclosure to "comply or explain;" as have the KPIs under "environmental." In effect, all disclosures under the "environmental" section are now semi-mandatory.[20] One year later in December 2016, the Shenzhen Stock Exchange released its Memorandum on Main Board Disclosures No. 1 – Disclosures in Periodic Report, which provided the definition and disclosure requirements for key polluting entities.

• Domestic Development: Disclosure Rate of CSR Reports from CSI 100 Index Constituents

Of the 100 companies that make up the CSI 100 Index, 86 released a current CSR report in 2016. The completeness of disclosure of these reports can be evaluated using the MQI (Material and Quantitative Indicators) system, yielding the disclosure rate.[21]

The disclosure rate of companies that issued the CSR report[22] ranged from 10% to 85% with a 41% average, meaning disclosure was made for 8 of the 20 KPIs under the 5 dimensions of economic, environmental, social, labor, and product for the corresponding industry.[23] Among these five dimensions, economic indicators garnered the highest disclosure rate of 87%, while the social indicators had the lowest.

[19]They are: Standards for Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Annual Report (2016 Revision), Standards for Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 – Semi-Annual Report (2016 Revision), and Report Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 13 – Content and Format of Quarterly Report (2016 Revision)

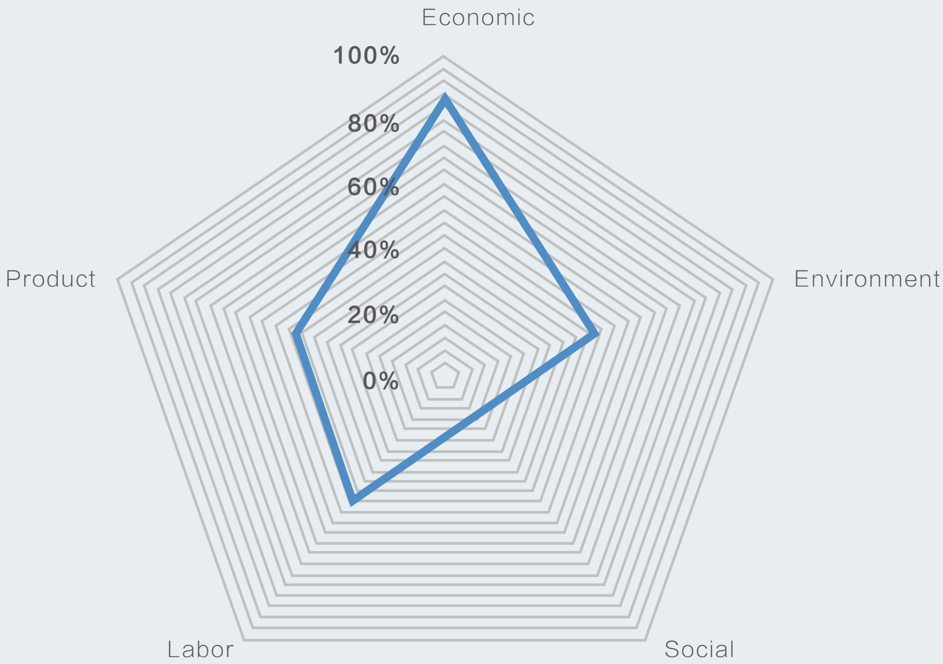
[20]See Hong Kong Stock Exchange webpage: https://sc.hkex.com.hk/TuniS/www.hkex.com.hk/chi/newsconsul/hkexnews/2015/151221news_c.htm

[21]The MQI database continuously aggregates the CSR reports released in China. The MQI system provides industry-specific guidance on CSR disclosures and analyze the disclosure rate through a quantitative approach. See http://mqi.org.cn/ for more information

[22]There are two companies that issued a CSR report for 2016 but were not included in the disclosure rate evaluation because their industries were not represented in the MQI system. One company did not release a 2016 CSR report but was included in the evaluation based on the 2013 report. Another 13 companies have yet to release a CSR report

[23]The evaluation only looked at whether disclosure was made rather than what was disclosed

Fig. 11: CSI 100 Index Constituents' Average Disclosure Rate in the Five Dimensions[24]

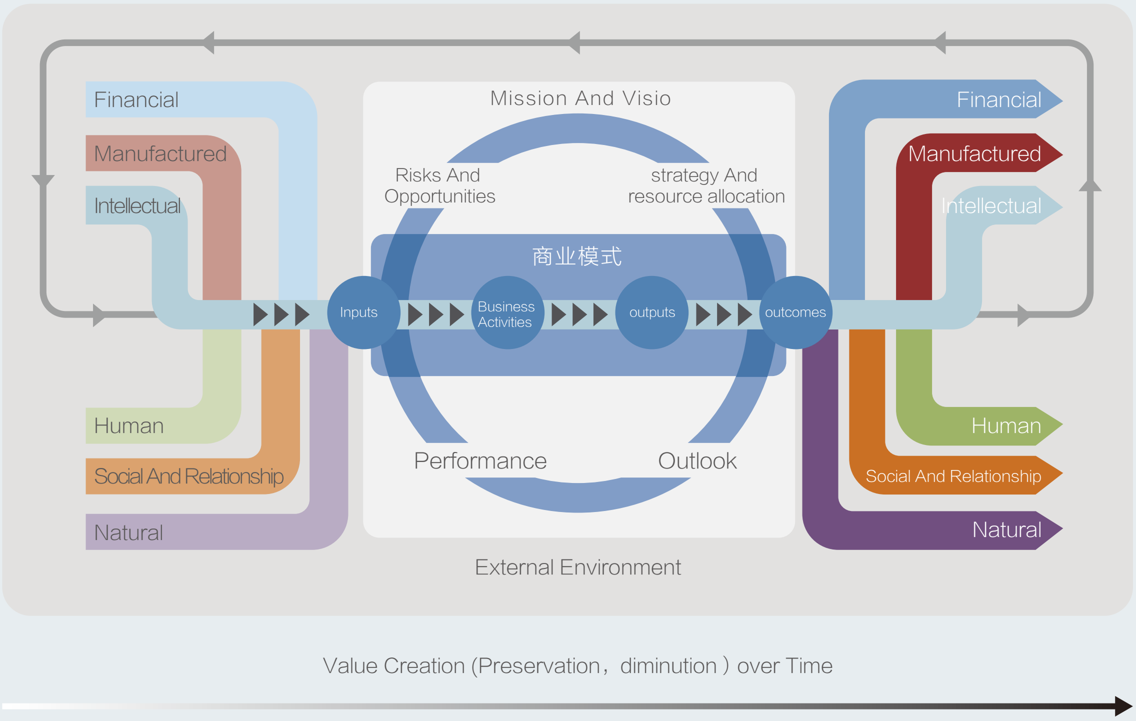


• Overseas Development: Integrated Reporting

In 2013, the International Integrated Reporting Council (IIRC) released the International <IR> Framework, defining integrated report as "a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term." Capitals, as the cornerstone of any integrated report, are categorized by IIRC as financial, manufactured, intellectual, human, social, and relationship. In an integrated report, an organization will need to provide the following information: organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, and basis of preparation and presentation, in order to reflect and promote cross-organizational integrated thinking.

[24]Substantive Analysis of the CSR Reports of CSI 100 Index Constituents. SynTao, July 2017. Accessed through http://www.syntao.com/SyntaoReport_Show_CN.asp?ID=52&FID=18

Fig. 12: Value Creation Process under the Integrated Reporting Framework[25]



Since the release of the first integrated report by Novozymes, a Danish company, in 2002, the United Technologies Corporation, SAP, HSBC, and other well-known companies have also become strong supporters and promoters of integrated reporting. In 2011, South Africa released the Framework for Integrated Reporting and the Integrated Report, the world's first guideline on this subject, obligating the 400 or so companies listed on the Johannesburg Stock Exchange to replace annual report with integrated report, thus making South Africa the first – and to date the only – country to require integrated reporting.[26] Despite this progress, the prevailing global practice is still to issue financial report and CSR report as two separate documents; most listed companies in China have yet to release a CSR report.

[25]Taken directly from The International <IR> Framework. Accessed through https://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf

[26]Is Integrated Report the Ultimate Fate of ESG Reports? SynTao, December 2015. Accessed through http://www.syntao.com/News/SyntaoNews_Show_CN.asp?ID=17835

Overseas Development: MSCI ESG Indices and ESG Rating System

MSCI ESG indices primarily serve institutional investors who incorporate ESG considerations in their investment decision-making. Depending on the building method, these indices can be classified as Integration, Value, and Impact.

Integration indices are derived from parent indices, with their focuses highlighted by finer adjustment to the selection standards. For example, ESG Universal[27] captures a broad spectrum of stocks, excluding only those companies that have breached international norms (e.g., serious violation of human rights, labor rights, or environmental principles) or involved in controversial weapons, and then weighted toward those with good ESG performance and positive ESG outlooks. Value indices seek to reflect the values, moral codes, and beliefs of investors, such as those who do not invest in the coal industry or those who follow the Catholic teachings. Lastly, the Impact indices cover companies whose core businesses are aligned with the sustainable development goals of the United Nations.

Fig. 13: MSCI ESG Indices by Building Method[28]

INTEGRATION	VALUES	IMPACT
BROAD ESG	BROAD ESG	
ESG UNIVERSAL ESG FOCUS ESG SELECT ESG(SUSTAINABILITY)	SRI KLD 400 SOCIAL	GLOBAL ENVIRONMENT SUSTAINABLE IMPACT WOMEN'S LEADERSHIP
THEMES	THEMES	
GOVERNANCE QUALITY LOW CARBON LEADERS LOW CARBON TARGET	EX CONTROVERSIAL WEAPONS EX COAL EX FOSSIL FUELS CATHOLIC VALUES ISLAMIC	

Note: BROAD ESG means consideration of a combination of environmental, social, and governance issues.
THEMES indicates consideration for select ESG issue(s)

Raw data for MSCI ESG Ratings are sourced from the government, businesses, NGOs, and the media, and fed into a framework that features 10 themes and 37 industry-specific key issues. Measurements are made for two metrics, i.e., the financial risks from ESG issues, and the medium- to long-term opportunities from the same. For the risk dimension, MSCI measures a business' risk exposure and risk management, with the expectations that a larger exposure would necessitate a commensurate increase in risk management resources. For the opportunities dimension, MSCI measures a business' potential opportunities and its capacity to take advantage of the opportunities through good management. The rating for a company are then normalized relative to industry peers, and can go from AAA (highest) to CCC (lowest).

2.4.2 Active Advocacy by Industry Associations

In recent years, the Asset Management Association of China (AMAC), Insurance Asset Management Association of China, China Banking Association, China Association for Public Companies (CAPCO), as well as many other industry associations have been campaigning for wider adoption of corporate social responsibilities and responsible investment. For instance, in June 2017 AMAC, CAPCO, and the Asian Corporate Governance Association co-hosted the 2017 China Responsible Investment Conference in Tianjin, an event that was well received by various industries.

In April 2015, the China Society for Finance and Banking established the Green Finance Committee (GFC) under the approval of the People's Bank of China (PBC), with Ma Jun, chief economist of the PBC Research Bureau, serving as the head, and PBC Deputy Governors Chen Yulu, Pan Gongsheng, and China Insurance Regulatory Commission's Vice Chairman Zhou Yanli as advisors. GFC organizes thematic groups to compile exemplary success stories in green finance, develop environmental impact assessment systems, and conduct legal and policy research. By 2017, GFC boasted about 170 member organizations, among them are all major banks in China and many medium- and large-sized insurance companies, securities companies, funds, green enterprises, and independent market service providers. As a result, GFC has played a critical role in forging partnership between the financial sector, green industry, and the government and in promoting the formation and implementation of green finance policies.

A few years before that, in 2012, the China Social Investment Forum was created. China SIF is a non-profit organization committed to spread the notions of responsible investment and promote a sustainable domestic capital market. It serves as an information exchange platform for domestic and foreign industry professionals, researchers, and representatives of investment institutions and listed companies, and conducts industry surveys and data gathering. Many similar forums exist around the world, the most active ones are the Forum for Sustainable and Responsible Investment (US SIF), UK Sustainable Investment and Finance Association (UKSIF), and the European Sustainable Investment Forum (Eurosif), among others. In Asia there are the Korean Sustainability Investing Forum (KoSIF), Japan Sustainable Investment Forum (JSIF), and others.

[27]Classified further, by either degree of market development or geographical location, into MSCI ACWI ESG Universal, MSCI World ESG Universal, MSCI EM ESG Universal, MSCI Europe ESG Universal, and MSCI USA ESG Universal Index

[28]https://www.msci.com/documents/1296102/1339060/ESGUniverse-brochure.pdf/858c771f-9635-4935-98e8-3ce59686a1ce


10

EXPERIENCES FROM PAST DECADE

3.1 Strategies and Performance of Responsible Investment Funds

As of August 31, 2017, China has 62 responsible investment-related funds in the market, composed of 16 funds that account for the environmental, social, governance, and sustainability performance of listed companies, and 46 funds connected to green industries. This second group can be further classified by industry focus into low carbon economy, environmental governance, environmental industry, "beautiful China," and new energy, and are therefore also responsible investment funds in a broad sense. Refer to Appendix 1 for more details on these funds.

Table 14: Funds Incorporating ESG Performance of Listed Companies

Short Name	Code	Stock Selection Strategy
AIFMC Social Responsibility	340007	Companies are selected from industries with good earning and sustainability potentials, optimized further with AEGON-Industrial Two-Pass Industry Screening and AEGON-Industrial 4D Social Responsibility Stock Selection Model
CSI Caitong ECPI ESG China 100 Index	000042	Primarily invest based on the CSI Caitong ECPI ESG China 100 Index, complemented by some active investing
AIFMC Green Investment	163409	Seek investment opportunities among green tech industries and enterprises as well as traditional companies with active environmental responsibility programs. Selection is based on a green investment screening strategy, with further considerations given to external environment, financials, and other fundamental factors. Priority is given to companies with superior environmental performances
Great Wall Environmental Theme	000977	Invest in companies in all market segments of the environmental industry, as well as companies actively contributing to the environmental industry and ecological improvement, fulfilling environmental obligations, or committed to make the green transition, including but not limited to carbon trading
BOC Healthy Life	000591	Invest primarily in listed companies that guide and enable people to lead healthier lives
CCB Principal SSE Social Responsibility ETF-Linked Fund	530010	Invest primarily in the SSE Social Responsibility ETF Fund
SSE Social Responsibility ETF Fund	510090	Full replication of the SSE Social Responsibility Index
China Universal Social Responsibility	470028	Use a "hand-pick" strategy to select exemplary listed companies with active social responsibility programs
CCB Principal Social Responsibility	530019	Adhere to the value investing approach with a sharp focus on businesses' fulfillment of social responsibilities

Short Name	Code	Stock Selection Strategy
Penghua Corporate Governance	160611	Invest primarily in exemplary listed companies with comparatively well-developed corporate governance structure and good growth prospect, while also monitor those coming from poor fundamentals but are about to make a rebound
Invesco Great Wall Corporate Governance	260111	Focus on listed companies with good corporate governance as well as those that have a significantly improved internal management practice due to a refined governance structure
BOCOM SSE 180 Corporate Governance Index ETF	510010	Full replication of the SSE 180 Corporate Governance Index
BOCOM 180 Corporate Governance ETF Link	519686	Under normal circumstances, no less than 90% are invested in SSE 180 Corporate Governance Index ETF
Caitong Sustainability	000017	Invest in sustainable development by placing listed companies with prominent sustainable development signals onto a shortlist, then investing in those with undervalued stocks
BOC Sustainable Growth	163803	Focus on listed companies with sustainable growth potentials
Invesco Great Wall Environmental Protection Advantage	001975	Select companies that have a strong position in the environmental industry, green economy, efficiency and social impact, or sustainable development

To evaluate the three-year performance of all responsible investment funds[29], three funds that were established less than three years ago need to be excluded from the pool. The remaining 26 funds, which have an average age of 6.5 years, consist of 17 hybrid funds (16 of which are equity-oriented), 2 equity funds, and 7 passive or enhanced index funds. The average 3-year and 1-year NAV growth rates (with dividend reinvestment) are 59.6% and 8.8%, respectively, placing these funds, on average, at the top 19.6% and 42.1% of their peers according to the secondary fund classification scheme[30]. The table below lists those responsible investment funds, such as AIFMC Social Responsibility, whose 3-year and 1-year NAV growth rates (with dividend reinvestment) are both in the top ten of this group.

Table 15: Responsible Investment Funds Ranked in Top Ten in Both 3-Year and 1-Year NAV Growth Rates (with Dividend Reinvestment)

Short Name	Code	3-Year NAV Growth Rate (w/ Dividend Reinvestment), %	1-Year NAV Growth Rate (w/ Dividend Reinvestment), %
AIFMC Social Responsibility	340007	104.9	15.8
SSE Social Responsibility ETF Fund	510090	85.1	23.1
CCB Principal SSE Social Responsibility ETF-Linked Fund	530010	78.6	21.3
BOCOM 180 Corporate Governance ETF Link	519686	73.1	20.5
BOCOM SSE 180 Corporate Governance Index ETF	510010	76.0	21.9
Fullgoal Low Carbon Environmental Protection	100056	133.1	18.7
HuaAn Ecology Priority	000294	96.4	20.7

[29]Data current as of August 31, 2017

[30]According to the statistical method used by the Choice data system, funds are classified at the second-level into hybrid funds, bond funds, equity funds (including full index funds), money market funds, principal-protected funds, QDII funds, and closed-end funds.

• Domestic Development: Investment Strategy of AEGON-Industrial (AIFMC) Social Responsibility Hybrid Securities Investment Fund

AIFMC Social Responsibility (fund code: 340007) pursues current returns and long-term capital gain, while also emphasizing businesses' sustainable growth and compliant and ethical operations. During industry allocation, the Fund evaluates each industry's position in its life cycle, boom cycle, overall profitability, and development trends, before selecting those having good earning and sustainable growth potentials. This pool is further vetted through the AEGON-Industrial Two-Pass Industry Screening, which comprises a passive screening pass to tilt away or completely avoid industries with poor sustainable development, legal, or internal or external ethical performance, followed by an active screening pass to accentuate or identify industries with good performances. This industry allocation will also be periodically updated and optimized. The selection of individual stocks simultaneously emphasizes two criteria: (i) the candidate company's CSR performance relative to industry peers, supplemented by (ii) optimizing the industry allocation strategy to adjust the final stock portfolio to avoid over-concentration.

• Overseas Development: Morningstar Investigates How Well American Sustainable Funds Uphold their Commitment

In 2016, investment research and management company Morningstar conducted a study to assign sustainability ratings to funds who had 50% or more of its assets invested in companies with a Sustainalytics ESG score. In particular, Morningstar looked at 160 U.S.-based funds that claimed to be responsible investment-conscious (excluding those that focused on negative screening), with 106 ultimately received a Morningstar Sustainability Rating. Furthermore, 45% of the funds in this latter group received the highest rating - compared with 10% for the entire fund pool - and only four funds received a below-average rating or lower. This result shows that U.S.-based responsible investment funds are for the most part "walking the talk."

3.2 Strategies and Performance of Responsible Investment Stock Indices

As of August 31, 2017, China has 30 responsible investment-related stock indices in the securities market, composed of 12 indices that track the CSR performance of listed companies, and 18 related to green industries. This second group, which can be further classified by industry focus into low carbon economy, environmental industry, environmental governance, new energy, and "sponge city," reflect the performance of representative companies in these industries, and are therefore also responsible investment indices in a broad sense. Refer to Appendix 2 for more details on these indices.

Table 16: Indices Incorporating ESG Performance of Listed Companies

Full Name	Code	Description
CSI Caitong ECPI ESG China 100 Index	000846	Composed of 100 top ESG-rated stocks taken from the CSI 300 Index per the ECPI ESG rating methodology.
CSI ECPI ESG China 40 Index	000970	Composed of 40 top ESG-rated stocks taken from the SSE 180 Corporate Governance Index per the ECPI ESG rating methodology.
SSE 180 Carbon Efficient Index	950081	This index seeks to indicate the performance of low carbon companies trading at the Shanghai Stock Exchange by first removing those SSE-listed companies with high carbon footprints and then assigning weights, which are inversely proportional to the carbon footprint, to the remaining stocks.
CNI Low-Carbon 50 Index	399378	This index tracks the stock prices of A-share listed companies that run low-carbon businesses or provide carbon reduction equipment or services.
SSE Social Responsibility Index	000048	Constituents taken from stocks under the SSE corporate governance theme with good CSR performance.
SZSE CSR Price Index	399341	Composed of 100 stocks listed at the Shenzhen Stock Exchange with good CSR performance.
SZSE SME CSR Index	399651	Composed of 50 stocks listed on the SME Board of the Shenzhen Stock Exchange with good CSR performance.
SSE 180 Corporate Governance Index	000021	Composed of 100 major, high-volume stocks taken from the SSE 180 Index and SSE Corporate Governance Index.
SSE Corporate Governance Index	000019	Composed of stocks from the SSE corporate governance theme.
CNI Corporate Governance Index	399322	Composed of 100 SSE- or SZSE-listed stocks that have an effective corporate governance structure and operating results above the prescribed standard. Selection is based on corporate governance rating, business scale, and operational performances.
SZSE Corporate Governance Index	399328	Composed of 40 SZSE-listed stocks that have an effective corporate governance structure and operating results above the prescribed standard. Selection is based on corporate governance rating, business scale, and operational performances.
SZSE SME Corporate Governance Index	399650	Composed of 50 stocks listed on the SME Board of the Shenzhen Stock Exchange with effective corporate governance structure and good operating results.

To evaluate the effectiveness of picking stocks based on CSR performance, we have compared the Sharpe ratio, volatility, and average rate of return[31] of indices that incorporate ESG performances of listed companies with those of the index universe. If the index universe is another index, then that index will be directly compared with the corresponding responsible investment index; otherwise, the reference indices will be based on the following table:

Table 17: Index Universe and Corresponding Reference Index

Index Universe	Reference Index
SSE and SZSE A-share market	CSI 300
SZSE A-share market	SZSE A Share
SSE A-share market	SSE A Share
SSE corporate governance theme	SSE A Share
SZSE SME Board A-share market	SZSE SME Price
Stocks listed in foreign markets	Not compared

Comparison shows that the 12 ESG-conscious indices outperformed the reference indices by a considerable margin. Specifically, 10 of them had a higher Sharpe ratio, 9 had a lower volatility, and 11 had a higher average rate of return. This illustrates that a portfolio containing listed companies with good ESG performances will produce higher returns at lower risks.

[31]We used simple rate of return (on monthly basis) for the three-year period ended August 31, 2017, and the one-year term deposit rate as the risk-free rate for the Sharpe ratio.

Table 18: Performance Comparison between ESG-Conscious Indices and Index Universe

Index	Reference Index	Sharpe Ratio (Index / Ref)		Volatility (Index / Ref)		Average ROR (Index / Ref)	
ECPI ESG 100	CSI 300	0.211	0.173	8.708	8.527	2.089	1.725
ECPI ESG 40	SSE 180 CG	0.188	0.168	9.275	9.416	1.997	1.829
SSE 180 Carbon Eff.	SSE 180	0.112	0.169	6.743	8.878	0.904	1.753
CNI Low-Carbon 50	CSI 300	0.232	0.173	8.204	8.527	2.152	1.725
SSE SR	SSE CG	0.2	0.17	8.592	9.094	1.973	1.797
SZSE CSR Price	SZSE A Share	0.222	0.157	7.931	10.072	2.007	1.829
SZSE SME CSR	SZSE SME Price	0.217	0.12	8.744	9.647	2.151	1.412
SSE 180 CG	SSE 180	0.168	0.169	9.416	8.878	1.829	1.753
SSE CG	SSE A Share	0.17	0.151	9.094	8.264	1.797	1.5
CNI CG	CSI 300	0.246	0.173	7.484	8.527	2.092	1.725
SZSE CG	SZSE A Share	0.253	0.157	7.883	10.072	2.244	1.829
SZSE SME CG	SZSE SME Price	0.174	0.12	9.109	9.647	1.834	1.412

Note: Red denotes higher of the two numbers

3.3 Responsible Investment Strategies

The three main strategies of responsible investment are screening, shareholder advocacy, and thematic and social investing. The screening strategy can be applied to stock market and bond market, during which target assets' financial and ESG performance are analyzed for inclusion into the portfolio. This process can take the form of (i) negative screening, to exclude unqualified businesses; (ii) positive screening, which actively enrolls businesses with good ESG performances; and (iii) a quantitative model that has ESG factors as inputs and assigns weight depending on the performance level. The screening strategy is used by all responsible investment funds and sustainability indices mentioned above.

The shareholder advocacy strategy leverages the statutory power of shareholders as company owners to influence the company's decision-making on ESG issues. Accordingly, institutional investors, who are large shareholders, also wield greater influence. Shareholders can voice their opinions through dialogues or making proposals to the company. Dialogues, in particular, frequently take place on a bilateral basis between the initiating shareholder and the management, without involving other shareholders, and is therefore a flexible, constructive approach to shape company directions.

Lastly, through a thematic and community investment strategy, the investor can focus on a particular ESG issue or a specific community. For example, financial institutions can provide individuals living in low-income communities with services, such as micro-loans, that would not be obtainable through other channels. This will help them get back on their feet so that services from conventional financial institutions will become accessible thereafter.

The screening strategy is the most common choice globally, as negative screening alone accounts for 65.6% of the responsible investment worldwide. At second place is shareholder advocacy at 36.6%. Thematic and community investment strategies are rarely seen, representing 1.4% and 1.1% of the total invested assets, respectively. One plausible explanation for the popularity of the screening strategy is that stocks and bonds are the most widely invested assets in the world. As an example, in Canada and Europe bonds account for 64.4% of responsible investment, followed by stocks at 32.6%, other assets 1.4%, real estate and other fixed properties 1.1%, while private funds and venture capitals represent a miniscule 0.6%.[32] In fact, whether it's major institutional investors who hold large quantities of stocks and bonds, or retail investors who purchase stocks and fund products, they can all make responsible investments with the screening strategy.

It is worth noting that, in recent years, large institutional investors have started to hold more constructive conversations with listed companies. They also closely monitor the companies they invested in and, if there are any major concerns, are not shy to approach the board of directors and the management and to intervene. In other words, aside from buying and selling securities, investors can also alert, guide, and support the target companies to strengthen their risk management capabilities. This is known as shareholder engagement and, in a way, can be thought of as a modification of the shareholder advocacy strategy, wherein proposals and voting are replaced by dialogue and communication. Indeed, financial regulatory authorities and industry associations are now encouraging institutional investors to adopt such an approach, and have incorporated the idea into the Investment Stewardship Code.

• Survey Observations: Screening Strategy Received the Highest Approval Rating from Individual and Institutional Investors

Our survey shows that both individuals and institutional investors favor the screening strategy. Responding to the question "Will you consider using the following methods in the next three to five years during the investment process," the most popular answers for the general public are positive screening (72.0%), negative screening (50.6%), quantitative ESG factors selection (50.4%), thematic and community investment (38.4%), and shareholder advocacy (29.7%). For institutional investors, they are negative screening (80.0%), positive screening (68.4%), quantitative ESG factors selection (57.9%), and thematic and community investment (42.1%). Only 15.8% of the surveyed institutions chose shareholder advocacy.

[32]GSIA: Global Sustainable Investment Review 2016. Accessed through http://www.gsi-alliance.org/members-resources/trends-report-2016/


10

THE ROAD AHEAD

4.1 Increasing Importance of ESG Performance

In June 2017, MSCI, a leading provider of global indices, published the results of its 2017 market classification review, confirming that China A-shares will be included in the MSCI Emerging Markets Index and the MSCI ACWI Index starting from June 2018. MSCI plans to initially include 222 large-cap A-share stocks, which together will represent 0.73% of the MSCI Emerging Markets Index at a 5% inclusion factor. MSCI will conduct an ESG assessment of all listed companies selected for an MSCI index, including the aforementioned A-share stocks. Although this news will only mean limited capital inflows in the short-term, it demonstrates the gradual convergence of China's stock market with international standards. As more domestic and foreign investors - especially institutional investors - use ESG data to support their decision-making, companies with more comprehensive ESG disclosures and better ESG performance will be rewarded with more favorable financing options.

The increasing importance of ESG performance is also corroborated by the survey results. When asked "Will you consider using the following methods in the next three to five years during the investment process," 72.0% of the respondents said they would consider "actively selecting companies with superior CSR performance," and 50.6% said they would consider "excluding companies with poor CSR performance." This shows the public's desire to select investment targets based on ESG performance, even though they still need more training and guidance on how to actually incorporate ESG factors into their analysis.

4.2 Development and Innovation by Public Funds

Public funds (i.e., mutual funds) are one of the main avenues for individual and institutional investors to engage in socially responsible investing. For instance, public funds accounted for 34.9% of the total assets of responsible investment in the United States in 2014.[33] In comparison, Chinese responsible investment funds still have much room for growth. With the increasing public interest in various ESG topics as well as relevant policy support and guidance, China has many responsible investment-related niche markets waiting to be explored.

One recent development is the "indexification" of investment products. As of August 31, 2017, there were 62 responsible investment funds and green industry-oriented investment funds operating in China, boasting RMB 50.02 billion in aggregate net asset value from their latest issues.[34] The 20 index funds had a total NAV of RMB 8.21 billion. This hints at a considerable growth potential, though the development of passive index funds also hinges on improvement of such market infrastructures as responsible investment indices and ESG data.

• Survey Observations: Investors are More Concerned about Social and Environmental Issues

When asked "In your opinion, which of the following issues will have a significant impact on the performance of a listed company, and thus on your investment returns," the ten types of incidents are ranked from most concerning to least concerning to survey participants as follows:

- The company's products are revealed to have quality issues on the March 15 Consumer Rights Day TV show (product quality);
- A factory of the company is exposed by the media to discharge pollutants and emissions above the

permitted levels (environmental pollution);

• The company's products or services have been subject to multiple customer complaints, as reported by the media (customer satisfaction);

• Accident at a factory of the company led to the death of three workers (occupational safety);

• A major supplier of the company is exposed to be a sweatshop by the media (supplier chain management);

• The company's financial report has been given a qualified opinion or disclaimer of opinion by the auditor (financial fraud);

• The company's executives are exposed to have bribed government officials (corruption and commercial bribery);

• The company has acquired a subsidiary from a high-polluting and energy-intensive industry (energy consumption);

• There was a strike at the company (employee rights);

• Frequent departure of independent directors (internal governance);

By examining the categories (given in parentheses) of these incidents, we conclude that survey participants are more concerned about social and environmental issues than corporate governance ones.

Of the 13 answer choices for the question "Please select the three industries with the highest CSR risks," industries with the highest perceived CSR risks were (in descending level of risk): mining; healthcare; hydropower, heating, and gas; water conservancy and environmental governance; and manufacturing. Industries with the lowest perceived CSR risks were (in ascending level of risk): wholesale and retail; information technology; cultural, sport, and entertainment; farming, forestry, animal husbandry, and fishery; and food and accommodation.

4.3 Enhanced Disclosure of ESG Information

Seventy-six respondents, or 6.7% of those who participated in the survey, indicated that they would not consider ESG factors under any circumstances. When asked "What are the possible reasons for you to not consider a business' CSR performance when investing," the most common answer was "Absence of source of information" (39 respondents), followed by "irrelevant to financial returns," "difficult to quantify," "difficult to make comparisons," and "lack of yardsticks for making judgements." This result indicates that the lack of ESG information is one of the main roadblocks to responsible investment by individuals, from which it can be reasonably conjectured that institutional investors are faced with the same challenge as well. This underscores the importance of developing the infrastructures for ESG information.

For the question of "Which of the following sources of information would you like to use for understanding a company's CSR performance," the most popular answers are "disclosure by regulatory authorities" (76.8%), "news reports and business commentaries" (73.9%), and "voluntary

[33] US SIF 2016: The Impact of Sustainable and Responsible Investment. Accessed through http://www.ussif.org/files/Publications/US-SIF_ImpactofSRI_FINAL.pdf

[34] As of the date of this report, the newly launched E Fund Environmental Theme Hybrid Fund, ChinaAMC Energy Conservation and Environmental Protection Equity Fund, and ChinaAMC Energy Innovation Equity Fund have yet to report their net asset values of the latest issue, and are therefore not included in this figure.

disclosure by the company" (58.5%), followed by "research reports and database," "ranking and indices," and "direct communication with the company." Only 0.8% of the respondents said they had no interest in this type of information. Consequently, building an ESG information ecosystem that encompasses relevant stakeholders – the government, media outlets, businesses, research institutes, and other third-party institutions – will strongly promote ESG-positive investments. This survey result shows the public's high expectations for the government, media outlets, and businesses on the matter of information disclosure, and their wish for substantive disclosures and enhanced ESG data services and technologies.

4.4A Responsible Investment Ecosystem

Between January and May 2010, 13 suicide attempts, resulting in 10 deaths and 3 injuries, shook the Foxconn factory at the Longhua Science and Technology Park, Shenzhen. This event, despite having generated widespread concerns and exposed Foxconn's corporate governance shortfalls, did not significantly impact the share price of Foxconn International Holdings Limited, Foxconn Technology Group's Hong Kong-listed subsidiary, and that of Hon Hai Precision Industry Company Limited (Foxconn Technology Group's legal name) itself in Taiwan, as confirmed by regression analysis with stock return model and stock volume model. Similarly, the stocks of some of Foxconn's lending banks, namely the Hong Kong-listed Bank of China (Hong Kong), the Industrial and Commercial Bank of China, and the China Construction Bank also suffered minimum repercussions. By contrast, both the Standard Chartered Bank, another lending bank for Foxconn, and companies that sourced electronics from Foxconn like Apple, HP, and Dell, all felt the aftershocks of this event.[35] This reflects the then apathy of China's capital markets toward major CSR incidents, which rendered them powerless at putting direct pressures on Foxconn.

The history of responsible investment in the West tells us that an ESG-conscious investor base and the fulfillment of corporate social responsibilities can engender a market with ecosystem-like feedback functions and bring long-term, sustainable, and a wide range of financial and ESG benefits for all stakeholders.

The creation of this ecosystem is a long-term process. While the rapid development of responsible investment in China in the first decade is encouraging to all, for this newly created market to grow, all stakeholders, including the government, businesses, investors, asset management companies, and third-party agencies, still need to make continuous contributions and exploratory efforts.

[35]Xiao Hongjun, Zhang Junsheng, and Zeng Yamin, China's Industrial Economy, August 2010: "Punishment of Corporate Social Responsibility Incidents from the Capital Markets – A Study of the Foxconn Suicides"

Category	Fund	Code	Stock Selection Strategy
ESG	AIFMC Social Responsibility	340007	Companies are selected from industries with good earning and sustainability potentials, optimized further with AEGON-Industrial Two-Pass Industry Screening and AEGON-Industrial 4D Social Responsibility Stock Selection Model.
	CSI Caitong ECPI ESG China 100 Index	000042	Primarily invest based on the CSI Caitong ECPI ESG China 100 Index, complemented by some active investing.
	AIFMC Green Investment	163409	Seek investment opportunities among green tech industries and enterprises as well as traditional companies with active environmental responsibility programs. Selection is based on a green investment screening strategy, with further considerations given to external environment, financials, and other fundamental factors. Priority is given to companies with superior environmental performances.
	Great Wall Environmental Theme	000977	Invest in companies in all market segments of the environmental industry, as well as companies actively contributing to the environmental industry and ecological improvement, fulfilling environmental obligations, or committed to make the green transition, including but not limited to carbon trading.
	BOC Healthy Life	000591	Invest primarily in listed companies that guide and enable people to lead healthier lives.
	CCB Principal SSE Social Responsibility ETF-Linked Fund	530010	Invest primarily in the SSE Social Responsibility ETF Fund.
	SSE Social Responsibility ETF Fund	510090	Full replication of the SSE Social Responsibility Index.
	China Universal Social Responsibility	470028	Use a “hand-pick” strategy to select exemplary listed companies with active social responsibility programs.
	CCB Principal Social Responsibility	530019	Adhere to the value investing approach with a sharp focus on businesses’ fulfillment of social responsibilities.
	Penghua Corporate Governance	160611	Invest primarily in exemplary listed companies with comparatively well-developed corporate governance structure and good growth prospect, while also monitor those coming from poor fundamentals but are about to make a rebound.
	Invesco Great Wall Corporate Governance	260111	Focus on listed companies with good corporate governance as well as those that have a significantly improved internal management practice due to a refined governance structure.
	Invesco Great Wall Environmental Protection Advantage	001975	Select companies that have a strong position in the environmental industry, green economy, efficiency and social impact, or sustainable development.
	BOCOM SSE 180 Corporate Governance Index ETF	510010	Full replication of the SSE 180 Corporate Governance Index.
	BOCOM 180 Corporate Governance ETF Link	519686	Under normal circumstances, no less than 90% are invested in SSE 180 Corporate Governance Index ETF.
	Caitong Sustainability	000017	Invest in sustainable development by placing listed companies with prominent sustainable development signals onto a shortlist, then investing in those with undervalued stocks.
	BOC Sustainable Growth	163803	Focus on listed companies with sustainable growth potentials.

Category	Fund	Code	Stock Selection Strategy
Green Industry	China Nature Low Carbon Economy	350002	Seek to capture potential opportunities in stocks related to the low-carbon economy.
	HSBC Jintrust Low Carbon Pioneer	540008	Industry: Universe primarily consists of listed companies that will profit from the development of low-carbon economy and have strong potential for sustainable growth. Stock selection: After identifying the key notions of the low-carbon economy, a top-down selection approach is used to pick out companies that directly engage in or benefit from, or closely related to, the low-carbon economy theme.
	Fullgoal Low Carbon Environmental Protection	100056	Primarily invest in companies that engage in or benefit from low-carbon or environmental protection businesses.
	HFT China Mainland Low Carbon Economy	519034	Full replication of the CSI China Mainland Low Carbon Economy Index.
	Lion Low Carbon Economy	001208	Focus on stocks related to the theme of low-carbon economy.
	Fullgoal Low Carbon New Economy	001985	Primarily invest in stocks related to the theme of low-carbon economy.
	Harvest Environmental Protection and Low Carbon	001616	Primarily invest in stocks related to the environmental industry or low-carbon economy.
	Invesco Great Wall Low-Carbon Technology Theme	002244	Primarily invest in stocks related to low-carbon technologies.
	China Post Low-Carbon Economy	001983	Focus on companies that engage in or benefit from the theme of low-carbon economy.
	BOCOM Schroder CSI Environmental Governance (LOF)	164908	Vast majority of assets invested to replicate the CSI Environmental Governance Index.
	China Universal CSI Environmental Governance (LOF)	501030	Full replication of the CSI Environmental Governance Index.
	HuaAn Ecology Priority	000294	Primarily focus on industries or companies related to ecological protection and eco-friendly themes.
	Penghua Environmental Protection Industry	000409	Prudential selection of high quality companies in the environmental protection industry.
	SWS MU CSI Environmental Protection Industry	163114	Full replication of the CSI Environmental Protection Industry Index.
	Fortune SG Ecology China	000612	Prudential selection of industries and stocks related to ecological themes.
	Changsheng Ecological Environment Theme	000598	Primarily invest in the stocks and bonds of listed companies that are engaged in or benefit from the eco-environmental theme.
	New China CSI Environmental Protection Industry	164304	Full replication of the CSI Environmental Protection Industry Index.
	China Universal Environmental Protection Industry	000696	Prudential selection of high-quality listed companies in the environmental protection industry.
	GF Environmental Protection	001064	Full replication of the CSI Environmental Protection Industry Index.
	CCB Principal Environmental Protection Industry	001166	Prudential selection of high-quality listed companies that promote environmental protection.
	ICBC Credit Suisse Eco-Environmental Industry	001245	Focus on listed companies related to the eco-environmental industry.
	Penghua Environmental Protection	160634	Use active index investing to track the CSI Environmental Protection Industry Index.
	ICBC Credit Suisse CSI Environmental Protection Industry	164819	Full replication of the CSI Environmental Protection Industry Index.
	Tianhong CSI Environmental Protection Industry	001590	Full replication of the CSI Environmental Protection Industry Index.
	Penghua Health and Environmental Protection	002259	Prudential selection of stocks related to the themes of healthy living and environmental protection.

Category	Fund	Code	Stock Selection Strategy
Green Industry	Yinhua Ecological Environment Theme	001954	Focus on high-quality companies benefiting from the rapid development of the ecological civilization and the energy conservation and environmental protection industries.
	GF Fund CSI Environmental Protection Industry ETF	512580	Full replication of the CSI Environmental Protection Industry Index.
	E Fund Environmental Theme	001856	Invest in the environmental protection industry in its broad definition.
	ChinaAMC Energy Conservation and Environmental Protection	004640	Invest in energy supply systems that espouse energy conservation and sustainable development.
	Yinhua Harmony Theme	180018	Primarily invest in stocks from industries that benefit from the national "harmonious society" policy as well as fixed-income assets with high investment values.
	BOCIM Beautiful China	000120	Primarily invest in the stocks related to the theme of "beautiful China."
	UBS SDIC Beautiful China	000663	Prudential selection of stocks related to the theme of "beautiful China."
	Donghai Beautiful China	000822	Primarily focus on stocks that benefit from the economic restructuring and economic improvements brought about by the campaign to build a "beautiful China."
	Fullgoal Beautiful China	002593	Prudential selection of stocks related to the theme of "beautiful China."
	Fullgoal CSI New Energy Vehicles Index	161028	Full replication of the CSI New Energy Vehicles Index.
	SWS MU New Energy Vehicle Theme	001156	Primarily invest in stocks that benefit from the theme of new energy automobiles.
	Rongtong New Energy	001471	Invest in high-quality listed companies related to the energy industry.
	First State Cinda New Energy Industry	001410	Prudential selection of high-quality companies in the energy and related industries.
	ABC-CA New Energy Theme	002190	Prudential selection of listed companies related to the new energy industry that benefit from China's call for energy conservation and industry upgrading.
	JX New Energy Vehicles	002256	Primarily invest in stocks that benefit from growth in the new energy automobile sector.
	Zhonghai Environmental Protection New Energy	398051	Industry allocation: Focus on the environmental protection sectors and new energy sectors, and adopt an "inverted pyramid" allocation scheme for the environmental protection sectors according to the level of eco-friendliness of each sector. More than 80% of the stock investments are allocated to stocks related to the themes of environmental protection and new energy.
	Guotai CNI New Energy Vehicles	160225	Full replication of the CNI New Energy Vehicles Index.
	ChinaAMC Energy Innovation	003834	Invest in sectors that are directly related to the new energy industry, benefit from energy innovation initiatives, or promote new energy and offer related services.
	BOCOM Schroder CNI New Energy	164905	Full replication of the CNI New Energy Index.
	ICBC Credit Suisse CSI New Energy	164821	Full replication of the CSI New Energy Index.
	Penghua CSI New Energy	160640	Track the CSI New Energy Index with appropriate accommodations and adjustment.

Category	Full Name	Code	Short Name	Description	Universe
ESG	CSI Caitong ECPI ESG China 100 Index	000846	ESG 100	Composed of 100 top ESG-rated stocks taken from the CSI 300 Index per the ECPI ESG rating methodology.	CSI 300
	CSI ECPI ESG China 40 Index	000970	ESG 40	Composed of 40 top ESG-rated stocks taken from the SSE 180 Corporate Governance Index per the ECPI ESG rating methodology.	SSE 180 Corporate Governance
	SSE 180 Carbon Efficient Index	950081	180 Carbon Efficient	This index seeks to indicate the performance of low carbon companies trading at the Shanghai Stock Exchange by first removing those SSE-listed companies with high carbon footprints and then assigning weights, which are inversely proportional to the carbon footprint, to the remaining stocks.	SSE 180
	CNI Low-Carbon 50 Index	399378	CNI Low-Carbon	This index tracks the stock prices of A-share listed companies that run low-carbon businesses or provide carbon reduction equipment or services.	SSE and SZSE A-share
	SSE Social Responsibility Index	000048	SSE Social Responsibility	Constituents taken from stocks under the SSE corporate governance theme with good CSR performance.	SSE corporate governance theme
	SZSE CSR Price Index	399341	SZSE CSR	Composed of 100 stocks listed at the Shenzhen Stock Exchange with good CSR performance.	SZSE A-share
	SZSE SME CSR Index	399651	SME CSR	Composed of 50 stocks listed on the SME Board of the Shenzhen Stock Exchange with good CSR performance.	SZSE SME Board A-share
	SSE 180 Corporate Governance Index	000021	180 CG	Composed of 100 major, high-volume stocks taken from the SSE 180 Index and SSE Corporate Governance Index.	SSE 180 Corporate Governance
	SSE Corporate Governance Index	000019	SSE CG	Composed of stocks from the SSE corporate governance theme.	SSE corporate governance theme
	CNI Corporate Governance Index	399322	CNI CG	Composed of 100 SSE- or SZSE-listed stocks that have an effective corporate governance structure and operating results above the prescribed standard. Selection is based on corporate governance rating, business scale, and operational performances.	SSE and SZSE A-share
	SZSE Corporate Governance Index	399328	SZSE CG	Composed of 40 SZSE-listed stocks that have an effective corporate governance structure and operating results above the prescribed standard. Selection is based on corporate governance rating, business scale, and operational performances.	SZSE A-share
	SZSE SME Corporate Governance Index	399650	SME CG	Composed of 50 stocks listed on the SME Board of the Shenzhen Stock Exchange with effective corporate governance structure and good operating results.	SZSE SME Board A-share

Category	Sub-category	Full Name	Code	Short Name	Description	Universe
Green Industries	Low-Carbon Economy	CSI China Mainland Low Carbon Economy Index	000977 399977	Mainland L-C	Composed of 50 companies from the SSE and SZSE A-share market with the highest daily average market capitalization and engaged in low-carbon economy businesses.	SSE and SZSE A-share
		China Low Carbon Index	H11113	China Low Carbon	Composed of 40 stocks of Chinese companies listed in domestic or foreign exchanges and representative of the Chinese low-carbon economy.	Stocks listed in domestic or foreign exchanges
	Environ. Protection Industry	CSI Environmental Protection Industry 50 Index	930614	CSI Environmental Protection 50	This index selects representative companies in the fields of resource management, cleaner technologies and products, and pollution management, per the classification of the environment industry in the System of Integrated Environmental and Economic Accounting (SEEA), to capture the performance of environmental companies listed on SSE and SZSE.	CSI All Share
		SSE Environmental Protection Industry Index	000158	SSE Environmental Protection	This index categorizes companies in the fields of resource management, cleaner technologies and products, and pollution management (per SEEA' s classification of the environment industry) under the theme of environmental protection industry and assigns them equal weighting to capture the performance of SSE-listed environmental companies.	SSE A-share
		CSI Environmental Protection Index	000827	CSI Environmental Protection	This index categorizes companies in the fields of resource management, cleaner technologies and products, and pollution management (per SEEA' s classification of the environment industry) under the theme of environmental protection industry and assigns them equal weighting to capture the performance of environmental companies listed on SSE and SZSE.	CSI All Share
		SZSE Environmental Protection Index	399638	SZSE Environmental Protection	Composed of 40 SZSE-listed companies in the fields of environmental equipment manufacturing, environmental protection services, cleaner production technologies, and cleaner products.	SZSE A-share
		CSI Metasequoia Environmental Protection Patents 50 Index	930835	EP Patents 50	Composed of 50 stocks with the highest composite environmental protection patent scores from a pool of listed companies either involved in resource conservation, pollution management, cleaner technologies, ecological restoration, or environmental governance, or committed to reduce their pollution and emission levels and improve resource utilization through technologies.	CSI All Share
		SZSE Energy Conservation Index	399695	SZSE Energy Conservation	Composed of representative SZSE-listed A-share companies, each selected according to the relative size of its energy conservation and environmental protection business and the results of green finance studies published by the China Energy Conservation and Environmental Protection Group.	SZSE A-share

Category	Sub-category	Full Name	Code	Short Name	Description	Universe
Green Industries	Environ. Protection Industry	CSI Green Investing Index	930956	Green Investing	Composed of representative SSE- or SZSE-listed A-share companies with a high proportion of green revenues and no significant environmental risks.	SSE and SZSE A-share
	Environ. Governance	CSI Water Environment Treatment Index	930854	CS Water ET	Composed of representative companies in the fields of botany; microbiology; pharmaceuticals; equipment parts manufacturing; water testing equipment and services; water treatment equipment manufacturing; and design, implementation, and operation of water treatment projects.	CSI All Share
		CSI Environmental Governance Index	399806	CSI Environmental Governance	Composed of at most 50 companies related to such areas of environmental governance as membrane water treatment, solid waste treatment, air pollution control, energy conservation, and renewable energy.	CSI All Share
		CSI AEF Ecology 100 Index	399817	CSI Ecology 100	This index is custom-developed by Alashan Ecological Foundation and composed of the 100 largest stocks related to ecological restoration, air pollution control, water treatment and other areas of environmental governance, weighted by market capitalization.	SSE and SZSE A-share
	New Energy	CSI New Energy Vehicles Industry Index	930997	CSI New Energy Vehicles	Composed of SSE- or SZSE-listed A-share companies with businesses in the new energy automobile industry.	CSI All Share
		CNI New Energy Vehicles Index	399417	CNI New Energy Vehicles	This index seeks to capture the overall performance of SSE- or SZSE-listed companies related to the new energy automobile industry.	SSE and SZSE A-share
		CSI New Energy Index	399808	CSI New Energy	Composed of stocks related to renewable energy production; energy application, storage, and exchange equipment; and other affiliated industries.	CSI All Share
		CSI Nuclear Energy & Power Index	930642	CSI Nuclear Energy & Power	Composed of representative companies in the fields of nuclear materials supply; manufacturing of key and auxiliary nuclear energy equipment; and construction, operation, and maintenance of nuclear power plants.	CSI All Share
		CSI New Energy Vehicles Industry Index	930997	CSI New Energy Vehicles Industry	Composed of SSE- or SZSE-listed A-share companies with businesses relating to the new energy automobile industry.	SSE and SZSE A-share
	Green City	CSI Sponge Cities Index	930853	CSI Sponge Cities	Composed of major companies with businesses in the protection and restoration of ecological systems, low-impact development and manufacturing of stormwater system components, sewage and sludge treatment, and other areas relating to the building of "sponge cities."	CSI All Share

Question	Answer Choices	Times Selected	Proportion
1. What is your current portfolio size (in RMB)?	¥100,000 to ¥1,000,000 (incl)	567	49.90%
	¥10,000 to ¥100,000 (incl)	329	29.00%
	¥1,000,000 to ¥6,000,000 (incl)	120	10.60%
	¥10,000 or less	89	7.80%
	More than ¥6,000,000	31	2.70%
2. Which types of investments do you have? (multiple selections permitted)	Stocks	747	65.80%
	Banks' wealth management products	682	60.00%
	Public funds	515	45.30%
	Bonds	242	21.30%
	Real estate	242	21.30%
	Private funds	155	13.60%
	Foreign currency	106	9.30%
	Others	79	7.00%
	None	29	2.60%
3. For how long a term do you often plan for your investment returns?	5 to 10 years (incl)	173	15.20%
	1 to 5 years (incl)	703	61.90%
	1 year or less	190	16.70%
	10 years or more	70	6.20%
4. Do you consider a target company or asset's social responsibility (environmental, social and governance, CSR) performance before investing?	Yes, if it does not affect the returns	356	31.30%
	Yes, always	234	20.60%
	Yes, if it can increase the returns	314	27.60%
	Yes, even if it means slightly lower returns	156	13.70%
	No	76	6.70%
5. What is your reason for considering a business' CSR performance when investing? (multiple selections permitted)	(question skipped)	77	6.80%
	To lower investment risks	733	64.50%
	To create value for the society	683	60.10%
	To increase investment returns	605	53.30%
	To answer the call of the government	214	18.80%
	To raise my reputation and influence	163	14.30%
	Recommendation by the media, consulting agencies, relatives or friends	144	12.70%
	Religious beliefs	38	3.30%
	Others	13	1.10%
6. What are the possible reasons for you to not consider a business' CSR performance when investing? (multiple selections permitted)	(question skipped)	1060	93.30%
	Irrelevant to financial returns	32	2.80%
	Lack of yardsticks for making judgements	12	1.10%
	Absence of source of information on businesses' CSR performance	39	3.40%
	Difficult to quantify	23	2.00%
	Difficult to make comparisons	17	1.50%
	Others	6	0.50%

Question	Answer Choices	Times Selected	Proportion
7. Are you aware of Chinese government's advocacy for responsible investment and corporate social responsibility (including green finance) in recent years?	Some understanding	718	63.20%
	Good understanding and very concerned	133	11.70%
	Little understanding	259	22.80%
	Not interested	26	2.30%
8. In your opinion, which of the following issues will have a significant impact on the performance of a listed company, and thus on your investment returns? Please select at most five answers you think would be the most impactful.	The company's products are revealed to have quality issues on the March 15 Consumer Rights Day TV show	763	67.20%
	A factory of the company is exposed by the media to discharge pollutants and emissions above the permitted levels	688	60.60%
	The company's products or services have been subject to multiple customer complaints, as reported by the media	511	45.00%
	Accident at a factory of the company led to the death of three workers	470	41.40%
	A major supplier of the company is exposed to be a sweatshop by the media	411	36.20%
	The company's financial report has been given a qualified opinion or disclaimer of opinion by the auditor	393	34.60%
	The company's executives are exposed to have bribed government officials	384	33.80%
	The company has acquired a subsidiary from a high-polluting and energy-intensive industry	373	32.80%
	There was a strike at the company	369	32.50%
	Frequent departure of independent directors	324	28.50%
	None of the above is influential individually	20	1.80%
9. Please select the three industries with the highest CSR risks (make three selections).	Mining	660	58.10%
	Healthcare	461	40.60%
	Hydropower, heating, and gas	408	35.90%
	Water conservancy and environmental governance	408	35.90%
	Manufacturing	315	27.70%
	Financial industry	259	22.80%
	Real estate	237	20.90%
	Transport and storage	171	15.10%
	food and accommodation	146	12.90%
	Farming, forestry, animal husbandry, and fishery	129	11.40%
	Cultural, sport, and entertainment	79	7.00%
	Information technology	78	6.90%
	Wholesale and retail	51	4.50%
	Others	5	0.40%
10. Will you consider using the following methods in the next three to five years during the investment process? (multiple selections permitted)	Actively selecting companies with superior CSR performance	818	72.00%
	Excluding companies with poor CSR performance	575	50.60%
	Systematically quantifying various ESG factors during analysis	573	50.40%
	Investing directly in industries and projects with social benefits	436	38.40%
	Using shareholder's powers to influence companies' behaviors and improve their CSR performance	377	33.20%
	Not considering any of the above	43	3.80%

Question	Answer Choices	Times Selected	Proportion
11. Which of the following sources of information would you like to use for understanding a company's CSR performance? (multiple selections permitted)	Disclosure by regulatory authorities	872	76.80%
	News reports and business commentaries	839	73.90%
	Voluntary disclosure by the company	665	58.50%
	Research reports and database	568	50.00%
	Ranking and indices	480	42.30%
	Direct communication with the company	134	11.80%
	No interest in this type of information	9	0.80%
	Others	8	0.70%
12. Your age?	Between 30 and 40 (incl)	464	40.80%
	Between 22 and 30 (incl)	385	33.90%
	Between 40 and 55 (incl)	232	20.40%
	Above 55	32	2.80%
	22 and below	23	2.00%
13. Your gender?	Male	619	54.50%
	Female	517	45.50%
14. Your occupation?	Corporate employee	386	34.00%
	Corporate manager (all levels)	298	26.20%
	Licensed professional (doctors, lawyers, journalists, teachers, etc.)	166	14.60%
	Government employee	71	6.30%
	Student	55	4.80%
	Self-employed	29	2.60%
	Sole proprietor or subcontractor	28	2.50%
	Commercial service employee (sales, store employees, waiters, etc.)	25	2.20%
	Retired	23	2.00%
	Others	22	1.90%
	Social organization employee (NGOs, industry associations, etc.)	19	1.70%
	Worker (factory workers, laborers, etc.)	7	0.60%
	Agriculture, forestry, animal husbandry, or fishery worker	4	0.40%
	Currently unemployed	3	0.30%

Question	Answer Choices	Times Selected	Proportion
15. Your current province of residence?	Beijing	265	23.30%
	Shanghai	169	14.90%
	Guangdong	131	11.50%
	Fujian	73	6.40%
	Jiangsu	67	5.90%
	Shandong	61	5.40%
	Zhejiang	43	3.80%
	Anhui	32	2.80%
	Hubei	32	2.80%
	Henan	29	2.60%
	Sichuan	22	1.90%
	Hebei	20	1.80%
	Shanxi	19	1.70%
	Liaoning	18	1.60%
	Guangxi	17	1.50%
	Chongqing	17	1.50%
	Tianjin	17	1.50%
	Hunan	15	1.30%
	Heilongjiang	14	1.20%
	Shaanxi	14	1.20%
	Overseas	11	1.00%
	Jiangxi	8	0.70%
	Jilin	7	0.60%
	Gansu	6	0.50%
	Guizhou	6	0.50%
	Yunnan	5	0.40%
	Qinghai	4	0.40%
	Taiwan	3	0.30%
	Inner Mongolia	3	0.30%
	Xinjiang	2	0.20%
	Hong Kong	2	0.20%
	Ningxia	1	0.10%
	Macao	1	0.10%
	Hainan	1	0.10%
	Tibet	1	0.10%
16. Highest degree completed?	Bachelor’s degree		65.30%
	Master’s degree or above		32.40%
	Vocational and technical college		1.78%
	High school		0.55%